

**VILLAGE OF LONG GROVE**

Long Grove, Illinois

**FINANCIAL STATEMENTS**

April 30, 2008

# VILLAGE OF LONG GROVE

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Village of Long Grove  
Long Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Long Grove, Illinois, as of and for the year ended April 30, 2008, which collectively comprise the village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Long Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Long Grove, Illinois, as of April 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 28 through 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Village of Long Grove, Illinois, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the Village Board  
Village of Long Grove

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Long Grove's basic financial statements. The combining financial statement and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statement and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Virchow, Kraus & Company, LLP*

Madison, Wisconsin  
December 8, 2008

# VILLAGE OF LONG GROVE

## STATEMENT OF NET ASSETS

April 30, 2008

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 7,721,169
Taxes receivable	284,513
Accounts receivable	382,513
Capital Assets	
Land	16,330,223
Construction in progress	227,840
Other capital assets, net of depreciation	315,374
Total Assets	<u>25,261,632</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	<u>341,453</u>
Total Liabilities	<u>341,453</u>
<b>NET ASSETS</b>	
Invested in capital assets	16,873,437
Restricted for:	
Road projects	266,024
Open space	2,843,736
Unrestricted	<u>4,936,982</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 24,920,179</u>

See accompanying notes to financial statements.

# VILLAGE OF LONG GROVE

## STATEMENT OF ACTIVITIES For the Year Ended April 30, 2008

Functions/Programs	Expenses	Program Revenues			Net Expenses (Revenues) and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 1,538,214	\$ 688,568	\$ -	\$ -	\$ (849,646)
Public safety	502,874	78,689	-	-	(424,185)
Public works	927,341	-	-	193,815	(733,526)
Culture, education and recreation	-	513,097	-	-	513,097
Conservation and development	410,991	535,485	157,094	199,424	481,012
Total Governmental Activities	3,379,420	1,815,839	157,094	393,239	(1,013,248)
General Revenues					
Taxes					
Income					634,547
Sales					646,684
Other taxes					119,117
Investment income					600,967
Miscellaneous					143,798
Total General Revenues					2,145,113
Change in Net Assets					1,131,865
NET ASSETS - Beginning of Year					23,788,314
NET ASSETS - END OF YEAR					\$ 24,920,179

# VILLAGE OF LONG GROVE

## BALANCE SHEET GOVERNMENTAL FUNDS April 30, 2008

	General Fund	Open Spaces	Motor Fuel Tax	Downtown TIF	Capital Projects	Totals
<b>ASSETS</b>						
Cash and investments	\$ 4,672,604	\$ 2,736,760	\$ 251,116	\$ -	\$ 60,689	\$ 7,721,169
Receivables						
Taxes	284,513	-	-	-	-	284,513
Accounts	260,460	106,976	15,077	-	-	382,513
Due from other funds	346	-	-	-	-	346
Advance to other funds	177,678	-	-	-	-	177,678
<b>TOTAL ASSETS</b>	<b>\$ 5,395,601</b>	<b>\$ 2,843,736</b>	<b>\$ 266,193</b>	<b>\$ -</b>	<b>\$ 60,689</b>	<b>\$ 8,566,219</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 332,863	\$ -	\$ -	\$ -	\$ 8,590	\$ 341,453
Due to other funds	-	-	169	-	177	346
Advance from other funds	-	-	-	177,678	-	177,678
Total Liabilities	332,863	-	169	177,678	8,767	519,477
Fund Balances						
Reserved for long-term advance	177,678	-	-	-	-	177,678
Unreserved, reported in:						
General fund designated	555,300	-	-	-	-	555,300
General fund undesignated	4,329,760	-	-	-	-	4,329,760
Special revenue funds undesignated (deficit)	-	2,843,736	266,024	(177,678)	-	2,932,082
Capital project funds undesignated	-	-	-	-	51,922	51,922
Total Fund Balances	5,062,738	2,843,736	266,024	(177,678)	51,922	8,046,742
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,395,601</b>	<b>\$ 2,843,736</b>	<b>\$ 266,193</b>	<b>\$ -</b>	<b>\$ 60,689</b>	

Amounts reported for governmental activities in the statement of net assets are different because:  
Capital assets used in governmental funds are not financial resources and, therefore, are not reported  
in the funds. See Note II.A.

16,873,437

### NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 24,920,179

# VILLAGE OF LONG GROVE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended April 30, 2008

	General Fund	Open Spaces	Motor Fuel Tax	Downtown TIF	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 1,557,443	\$ -	\$ -	\$ -	\$ -	\$ 1,557,443
Intergovernmental	-	-	193,815	-	199,424	393,239
Fees, licenses and permits	1,330,076	140,028	-	-	-	1,470,104
Fines, forfeitures and penalties	72,171	-	-	-	-	72,171
Public charges for services	273,565	-	-	-	-	273,565
Investment income	453,350	157,680	5,237	-	8,631	624,898
Miscellaneous	143,796	-	-	-	-	143,796
Total Revenues	<u>3,830,401</u>	<u>297,708</u>	<u>199,052</u>	<u>-</u>	<u>208,055</u>	<u>4,535,216</u>
<b>EXPENDITURES</b>						
Current						
General government	1,292,846	507	-	-	573	1,293,926
Public safety	491,362	-	-	-	-	491,362
Public works	870,333	-	-	-	-	870,333
Conservation and development	262,920	-	-	142,055	-	404,975
Capital Outlay	307,117	523,575	423	1,846	205,700	1,038,661
Total Expenditures	<u>3,224,578</u>	<u>524,082</u>	<u>423</u>	<u>143,901</u>	<u>206,273</u>	<u>4,099,257</u>
Excess (deficiency) of revenues over expenditures	<u>605,823</u>	<u>(226,374)</u>	<u>198,629</u>	<u>(143,901)</u>	<u>1,782</u>	<u>435,959</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	33,777	-	-	-	-	33,777
Transfers out	-	-	-	(33,777)	-	(33,777)
Total Other Financing Sources (Uses)	<u>33,777</u>	<u>-</u>	<u>-</u>	<u>(33,777)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	639,600	(226,374)	198,629	(177,678)	1,782	435,959
FUND BALANCES - Beginning of Year	<u>4,423,138</u>	<u>3,070,110</u>	<u>67,395</u>	<u>-</u>	<u>50,140</u>	<u>7,610,783</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,062,738</u>	<u>\$ 2,843,736</u>	<u>\$ 266,024</u>	<u>\$ (177,678)</u>	<u>\$ 51,922</u>	<u>\$ 8,046,742</u>



## VILLAGE OF LONG GROVE

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended April 30, 2008

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Net change in fund balances - total governmental funds	\$ 435,959
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	1,038,661
Items reported as capital outlay were not capitalized	(287,246)
Depreciation is reported in the government-wide statements	(31,578)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements	<u>(23,931)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,131,865</u></b>

# VILLAGE OF LONG GROVE

## STATEMENT OF NET ASSETS FIDUCIARY FUNDS April 30, 2008

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and investments	\$ 979,713
Accounts receivable	<u>269,923</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,249,636</u>
<b>LIABILITIES</b>	
Liabilities	
Accounts payable	<u>\$ 1,249,636</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,249,636</u>

# VILLAGE OF LONG GROVE

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# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Long Grove, Illinois conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the Village of Long Grove. The reporting entity for the village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**VILLAGE OF LONG GROVE**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2008

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental financial statements. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. In addition, any other governmental fund that the village believes is particularly important to financial statement users may be reported as a major fund.

The Village of Long Grove reports the following major governmental funds:

General Fund – Accounts for the village's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Open Spaces Special Revenue Fund – Accounts for resources legally restricted to supporting expenditures for the open space program.

Motor Fuel Tax Special Revenue Fund – Accounts for specific revenue sources that are legally restricted to expenditures for local road and related improvements.

Downtown Tax Incremental Financing (TIF) Special Revenue Fund – Accounts for resources legally restricted to supporting expenditures for the Downtown TIF fund.

Capital Projects Fund – Accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

In addition, the village reports the following fund types:

Agency funds are used to account for assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Interagency Control Fees  
Builders' Refundable Bonds  
Fees Refundable to Others

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS

April 30, 2008

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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##### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

###### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

###### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include sales and income taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***Fund Financial Statements (cont.)***

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Agency funds follow the accrual basis of accounting and do not have a measurement focus.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### ***1. Deposits and Investments***

Investment of village funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any bank, savings bank, trust company or savings and loan association which are insured.
2. U.S. Treasury, agencies and instrumentalities.
3. Illinois State Treasurer's Investment Pool.
4. Any commercial paper Grade A-1 and P-1 as determined by at least two standard rating services
5. Repurchase agreements with public depositories, with certain conditions.
6. Banker's acceptances.
7. Illinois Metropolitan Investment Fund.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS April 30, 2008

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***1. Deposits and Investments (cont.)***

The village has deposits and investments subject to custodial credit risk. The village's investment policy requires all deposits and investments to be securitized by insurance or collateral.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note IV.A. for further information.

##### ***2. Receivables***

Accounts receivable have been shown net of an allowance for uncollectible accounts. The amount recorded as accounts receivable has been reduced by an allowance for uncollectible accounts of \$35,550.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

##### ***3. Capital Assets***

###### ***Government-Wide Statements***

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$15,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to May 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but GASB No. 34 does not require the village to retroactively report all major general infrastructure assets. For the year ended April 30, 2008, the village has not retroactively reported any infrastructure.



# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### *3. Capital Assets (cont.)*

##### *Government-Wide Statements (cont.)*

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 Years
Machinery and Equipment	5-10 Years
Infrastructure	10-50 Years

##### *Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

##### *4. Compensated Absences*

Under terms of employment, employees are granted sick leave and vacations in varying amounts. The benefits do not vest to the employee and cannot be carried over and paid out; therefore, there are no amounts accrued in these financial statements.

##### *5. Claims and Judgments*

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **6. Equity Classifications**

##### **Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation.

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental funds balance sheet includes a reconciliation between total fund balance and net assets of governmental activities as reported in the government-wide statement of net assets. The reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Land	\$ 16,330,223
Construction in progress	227,840
Buildings	205,630
Machinery and equipment	168,285
Infrastructure	148,853
Less: Accumulated depreciation	(207,394)
Adjustment for Capital Assets	<u>\$ 16,873,437</u>

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

### NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for all funds except the Downtown TIF special revenue fund.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action. There were no supplemental appropriations during the year.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$-0-. Budgets are adopted at the departmental level of expenditure.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund	\$ 2,865,650	\$ 3,224,578	\$ 358,928
Open Spaces Fund	-	524,082	524,082

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

#### C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of April 30, 2008, the following individual fund held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Downtown TIF fund	\$ 177,678	Expenditures in excess of revenues

The TIF district deficit is anticipated to be funded with future incremental taxes levied over the life of the district.

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS

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##### A. DEPOSITS AND INVESTMENTS

The village's cash and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand deposits	\$ 8,700,632	\$ 8,678,714	Custodial credit risk
Petty cash	<u>250</u>	<u>-</u>	N/A
Total Cash and Investments	<u>\$ 8,700,882</u>	<u>\$ 8,678,714</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 7,721,169		
Per statement of net assets –			
Fiduciary			
Agency	<u>979,713</u>		
Total Cash and Investments	<u>\$ 8,700,882</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

JP Morgan's SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additional protection covers total account net equity in excess of the \$500,000/\$100,000 coverage.

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **A. DEPOSITS AND INVESTMENTS (cont.)**

###### ***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

As of April 30, 2008, the village's deposits were exposed to custodial credit risk as follows:

<u>Deposits</u>	
Neither insured nor registered and held by counterparty	<u>\$ 8,382,121</u>

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The village does not have any investments exposed to custodial credit risk.

##### **B. RECEIVABLES**

Accounts receivable are reported net of uncollectible amounts. Uncollectible amounts related to tree replacement revenues totaled \$35,550.

All receivables are expected to be collected within one year.

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS

April 30, 2008

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### C. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 15,806,648	\$ 523,575	\$ -	\$ 16,330,223
Construction in progress	-	227,840	-	227,840
Total Capital Assets Not Being Depreciated	<u>15,806,648</u>	<u>751,415</u>	<u>-</u>	<u>16,558,063</u>
Capital assets being depreciated				
Buildings	205,630	-	-	205,630
Machinery and equipment	168,285	-	-	168,285
Bridges	148,853	-	-	148,853
Total Capital Assets Being Depreciated	<u>522,768</u>	<u>-</u>	<u>-</u>	<u>522,768</u>
Less: Accumulated depreciation for				
Buildings	(38,658)	(5,611)	-	(44,269)
Machinery and equipment	(101,769)	(11,041)	-	(112,810)
Bridges	(35,389)	(14,926)	-	(50,315)
Total Accumulated Depreciation	<u>(175,816)</u>	<u>(31,578)</u>	<u>-</u>	<u>(207,394)</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 16,153,600</u>	<u>\$ 719,837</u>	<u>\$ -</u>	<u>\$ 16,873,437</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 12,482
Public works	14,926
Conservation and development	<u>4,170</u>
Total Governmental Activities Depreciation Expense	<u>\$ 31,578</u>

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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##### ***D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

The following is a schedule of interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Motor fuel tax	\$ 169
General fund	Capital projects	177
Total – Fund Financial Statements		346
Less: Fund eliminations		(346)
Total Internal Balances – Government-Wide Statement of Net Assets		\$ -

All amounts will be repaid within one year.

The principal purpose of these interfunds is to reimburse the general fund for amounts paid for costs on behalf of the motor fuel tax and capital projects funds.

For the statement of net assets, interfund balances which are owed within the governmental activities are netted and eliminated.

##### ***Advances***

The general fund is advancing funds to the Downtown TIF special revenue fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is not charging the TIF district interest on the advance. No repayment schedules have been established.

The following is a schedule of the interfund advance:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Downtown TIF	\$ 177,678
Total – Fund Financial Statements		177,678
Less: Fund eliminations		(177,678)
Total Interfund Advances – Government-Wide Statement of Net Assets		\$ -

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS April 30, 2008

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)**

##### **Transfers**

The following is a schedule of interfunds transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Downtown TIF fund	\$ 33,777	Reimbursement of TIF expenditures
Total – Fund Financial Statements		33,777	
Less: Fund eliminations		(33,777)	
Total Transfers – Government-wide Statement of Activities		\$ -	

#### **E. LEASE DISCLOSURES**

The village has no material leases as lessee or lessor.

#### **F. NET ASSETS/FUND BALANCES**

Net assets reported on the government wide statement of net assets at April 30, 2008 includes the following:

##### **Governmental Activities**

Invested in capital assets	
Land	\$ 16,330,223
Construction in progress	227,840
Other capital assets, net of accumulated depreciation	315,374
Total Invested in Capital Assets	<u>16,873,437</u>
Restricted	
Road projects	266,024
Open spaces	<u>2,843,736</u>
Total Restricted	<u>3,109,760</u>
Unrestricted	<u>4,936,982</u>
Total Governmental Activities Net Assets	<u>\$ 24,920,179</u>



# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS April 30, 2008

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **F. NET ASSETS/FUND BALANCES (cont.)**

##### **Governmental Activities (cont.)**

Governmental fund balances reported on the fund financial statements at April 30, 2008 include the following:

<b>Reserved</b>	
Major Fund	
General Fund	
Long-term advance	<u>\$ 177,678</u>
<b>Unreserved – designated</b>	
Major Fund	
General Fund	
Subsequent year's budget	\$ 140,300
Athletic fields	<u>415,000</u>
<b>Total</b>	<u>\$ 555,300</u>
<b>Unreserved – undesignated (deficit)</b>	
Major Funds	
General fund	<u>\$ 4,329,760</u>
Open spaces special revenue fund	<u>\$ 2,843,736</u>
Motor fuel tax fund special revenue fund	<u>\$ 266,024</u>
Downtown TIF special revenue fund	<u>\$ (177,678)</u>
Capital projects fund	<u>\$ 51,922</u>

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

The village's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

# VILLAGE OF LONG GROVE

## NOTES TO FINANCIAL STATEMENTS April 30, 2008

### NOTE V – OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 10.10%. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 29 years.

For December 31, 2007, the employer's annual pension cost of \$36,585 was equal to the employer's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% per year attributable to inflation, (c) additional projected salary increased ranging from 0.4% to 10.0% per year attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor.

#### TREND INFORMATION

The village began participating in the plan in January, 2003. Therefore, trend information prior to January, 2003 is not applicable.

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 36,585	100%	\$ -
12/31/06	\$ 33,500	100%	\$ -
12/31/05	\$ 28,884	100%	\$ -
12/31/04	\$ 27,900	100%	\$ -
12/31/03	\$ 25,446	100%	\$ -

#### REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 239,673	\$ 369,393	\$ 129,720	64.88%	\$ 362,224	35.81%
12/31/06	\$ 177,378	\$ 296,465	\$ 119,087	59.83%	\$ 352,256	33.81%
12/31/05	\$ 125,181	\$ 209,003	\$ 83,822	59.89%	\$ 309,251	27.10%
12/31/04	\$ 79,906	\$ 118,399	\$ 38,493	67.49%	\$ 302,607	12.72%
12/31/03	\$ 39,741	\$ 80,904	\$ 41,163	49.12%	\$ 275,983	14.92%

On a market value basis, the actuarial value of assets as of December 31, 2007 is \$250,073. On a market basis, the funded ratio would be 67.70%.

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

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#### NOTE V – OTHER INFORMATION (cont.)

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##### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

###### ***Digest of Changes***

###### ***Assumptions***

The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For regular members, fewer normal and early retirements are expected to occur.

##### **B. RISK MANAGEMENT**

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

##### **C. COMMITMENTS AND CONTINGENCIES**

From time to time, the village is party to various pending claims and legal proceedings. The village is currently involved in litigation in which the plaintiff is attacking the propriety of impact fees collected by the village for elementary and high schools, parks and open space. In March of 2006 a judgment order was entered in favor of the plaintiff in the amount of \$114,700. The village continues to vigorously defend this action and has filed an appeal. The plaintiff has also filed a motion seeking interest in the amount of \$64,753, which was denied by the trial court and then subsequently appealed by the plaintiff. Rulings for both the impact fees and the related interest are currently waiting on the Appellate Court. No decisions have been made. Impact fee activity is accounted for and held in the Interagency Control Fees agency fund. Therefore, the amounts in dispute are already being reported within accounts payable.

For all other claims and legal proceedings that the village is involved with, the outcome of such matters cannot be forecasted with certainty, but it is the opinion of the management and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

#### NOTE V – OTHER INFORMATION (cont.)

##### D. JOINT VENTURE

###### *Description of Joint Venture*

The village is a member of the Solid Waste Agency of Lake County ("SWALCO"), which consists of area municipalities. SWALCO is a municipal corporation and public body politic and corporate established pursuant to the Constitution Act of the State of Illinois, as amended (the "Act"). SWALCO is empowered under the Act to plan, construct, finance, operate, and maintain a solid waste disposal system to serve its members.

The members of SWALCO and their percentage shares based on formulas contained in SWALCO's agreement are:

	<u>% Share</u>		<u>% Share</u>
Antioch	1.06%	Lincolnshire	1.74%
Beach Park	1.65	Lindenhurst	1.45
Deer Park	.74	Long Grove	1.42
Deerfield	4.25	Mundelein	4.12
Grayslake	1.46	North Barrington	.66
Green Oaks	.47	North Chicago	3.13
Gurnee	3.11	Park City	.86
Hawthorne Woods	1.07	Riverwoods	.94
Highland Park	8.03	Round Lake	.61
Kildeer	.67	Round Lake Beach	2.55
Lake Barrington	1.16	Round Lake Park	.64
Lake Bluff	1.61	Third Lake	.24
Lake County	19.88	Vernon Hills	3.36
Lake Forest	6.13	Wadsworth	.39
Lake Villa	.55	Wauconda	1.31
Lake Zurich	3.21	Waukegan	12.15
Libertyville	4.38	Winthrop Harbor	1.08
		Zion	3.92
		Total	<u>100.00%</u>

These percentages are subject to change in future years due to changes in population and equalized assessed valuation of the municipalities.

## VILLAGE OF LONG GROVE

### NOTES TO FINANCIAL STATEMENTS April 30, 2008

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#### NOTE V – OTHER INFORMATION (cont.)

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##### **D. JOINT VENTURE (cont.)**

##### ***Description of Joint Venture (cont.)***

SWALCO is governed by a Board of Directors, which consists of one appointed mayor or president, trustee, or chief administrative officer from each member municipality. Each director has an equal vote. The officers of SWALCO are appointed by the Board of Directors. The Board of Directors determines the general policy of SWALCO, makes all appropriations, approves contracts, adopts resolutions providing for the issuance of Bonds or Notes by SWALCO, adopts by-laws, rules and regulations, and exercises such powers and performs such duties as may be prescribed in SWALCO Agreement or the by-laws.

SWALCO generates revenue from user charges. The village paid \$2,134 to SWALCO during the year.

Complete financial statements for SWALCO can be obtained from SWALCO's administrative office at 1311 N. Estes Street, Gurnee, Illinois 60031-2125.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## VILLAGE OF LONG GROVE

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,463,000	\$ 1,463,000	\$ 1,557,443	\$ 94,443
Fees, licenses and permits	845,000	845,000	1,330,076	485,076
Fines, forfeitures and penalties	71,200	71,200	72,171	971
Public charges for services	16,700	16,700	273,565	256,865
Investment income	250,000	250,000	453,350	203,350
Miscellaneous revenues	5,100	5,100	143,796	138,696
Total Revenues	<u>2,651,000</u>	<u>2,651,000</u>	<u>3,830,401</u>	<u>1,179,401</u>
<b>EXPENDITURES</b>				
Current				
General government	1,113,250	1,113,250	1,292,846	(179,596)
Public safety	502,500	502,500	491,362	11,138
Public works	658,800	658,800	870,333	(211,533)
Conservation and development	136,100	136,100	262,920	(126,820)
Capital outlay	<u>455,000</u>	<u>455,000</u>	<u>307,117</u>	<u>147,883</u>
Total Expenditures	<u>2,865,650</u>	<u>2,865,650</u>	<u>3,224,578</u>	<u>(358,928)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(214,650)</u>	<u>(214,650)</u>	<u>605,823</u>	<u>820,473</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	33,777	33,777
Net Change in Fund Balance	<u>(214,650)</u>	<u>(214,650)</u>	<u>639,600</u>	<u>854,250</u>
FUND BALANCE - Beginning of Year	<u>4,423,138</u>	<u>4,423,138</u>	<u>4,423,138</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 4,208,488</u>	<u>\$ 4,208,488</u>	<u>\$ 5,062,738</u>	<u>\$ 854,250</u>



## VILLAGE OF LONG GROVE

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - OPEN SPACES For the Year Ended April 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fees, licenses and permits	\$ 243,698	\$ 243,698	\$ 140,028	\$ (103,670)
Investment income	16,915	16,915	157,680	140,765
Total Revenues	<u>260,613</u>	<u>260,613</u>	<u>297,708</u>	<u>37,095</u>
<b>EXPENDITURES</b>				
General government	-	-	507	(507)
Capital outlay	-	-	523,575	(523,575)
Total Expenditures	<u>-</u>	<u>-</u>	<u>524,082</u>	<u>(524,082)</u>
Net Change in Fund Balance	260,613	260,613	(226,374)	(486,987)
FUND BALANCE - Beginning of Year	<u>3,070,110</u>	<u>3,070,110</u>	<u>3,070,110</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,330,723</u>	<u>\$ 3,330,723</u>	<u>\$ 2,843,736</u>	<u>\$ (486,987)</u>

# VILLAGE OF LONG GROVE

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MOTOR FUEL TAX For the Year Ended April 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 192,621	\$ 192,621	\$ 193,815	\$ 1,194
Investment income	583	583	5,237	4,654
Total Revenues	193,204	193,204	199,052	5,848
<b>EXPENDITURES</b>				
Capital outlay	220,000	220,000	423	219,577
Net Change in Fund Balance	(26,796)	(26,796)	198,629	225,425
FUND BALANCE - Beginning of Year	67,395	67,395	67,395	-
FUND BALANCE - END OF YEAR	\$ 40,599	\$ 40,599	\$ 266,024	\$ 225,425

## VILLAGE OF LONG GROVE

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION April 30, 2008

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Employee compensation	\$ 520,000	\$ 521,005	\$ (1,005)
Office	41,700	65,829	(24,129)
Administrative and professional	507,550	517,261	(9,711)
Miscellaneous	44,000	188,751	(144,751)
Public works	658,800	870,333	(211,533)
Conservation and development	136,100	262,920	(126,820)

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**SUPPLEMENTARY INFORMATION**